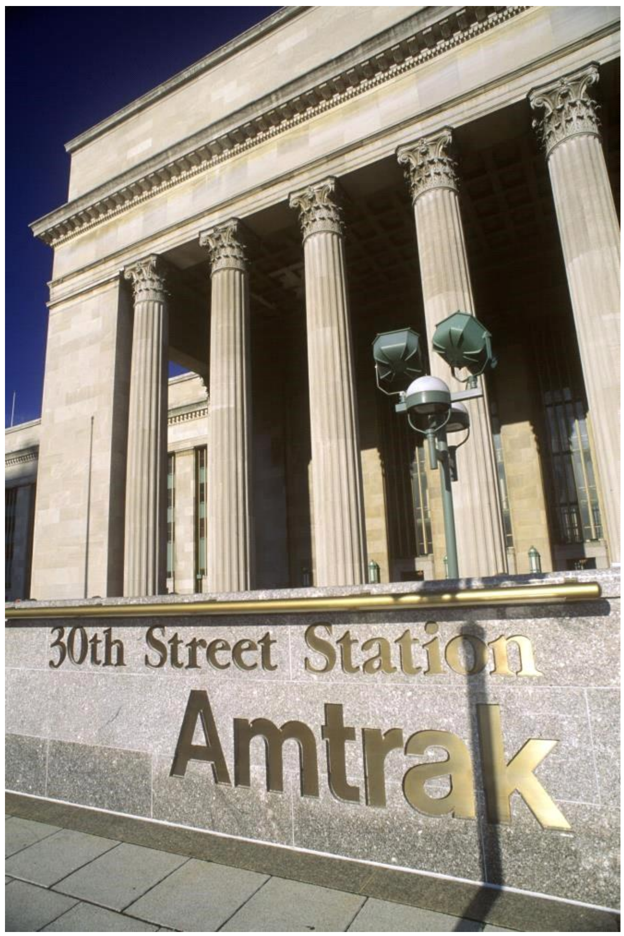
RAILnet-21

American Intercity Railroad Network for the 21st Century

Creating a Fully Funded Northeast Corridor Infrastructure Trust Fund

Proposal for a Stable Long-term Funding Source for Amtrak Infrastructure



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Creating Jobs through Better Freight, Commuter and Intercity Rail Services

In 1997, Bud Shuster, Chairman of the House's Transportation and Infrastructure Committee, sponsored a "Working Group on Intercity Rail Passenger Service" (the "Blue Ribbon Panel") to take a fresh look at the "Amtrak problem." Subsequently, the full Congress established the Amtrak Reform Council (the "Council") a bi-partisan oversight body charged with, among other tasks and upon certain conditions having been met, developing an action plan to restructure and rationalize Amtrak. In 2002, the Council submitted its plan to the President and the Congress—a plan very similar to that of the Blue Ribbon Panel.

Today, not much has changed and the debate continues. While Amtrak's infrastructure backlog continues to grow unabated, the States are paying unsustainably more, the stakes are higher, needs greater, long-term job creation and training more important, deficit worse, funding challenges increasingly daunting, and benefits ever more necessary.

High Costs of Inaction

Numerous plans have been considered to reinvigorate intercity passenger rail. Most embrace a key precept common to both the Blue Ribbon Panel and the Council: separation of Amtrak-owned infrastructure ("AOI") from its transportation function. Amtrak operates more than 21,000 route-miles, but owns only about 600 route-miles or less than 3 percent of its system. AOI accounts for the majority of Amtrak's financial losses year after year. It encompasses the 600 Amtrak-owned route-miles (mostly in the Northeast and some in the Midwest), the passenger stations and the signaling on those 600 miles, and traction power facilities. With its huge capital and operating costs, AOI poses a major threat to the sustainability of our national passenger rail network.

Amtrak, in its Northeast Corridor Infrastructure Master Plan and its various PRIIA[1]-mandated studies, identified more than $50 billion just in Northeast Corridor ("NEC") infrastructure investments required to bring the NEC to a "State of Good Repair" and position it for the 21st century. Amtrak has not published a similar Midwest document. Funding, however, was not addressed other than to defer to Federal and State policy makers to find a solution.

In October 2013, the States, for the first time, confronted the reality of PRIIA §209 requiring the States to pay the fully allocated cost of all trains traveling fewer than 750 miles. PRIIA §212 is now exposing commuter operators to an analogue methodology.

Back to the Future

"Freed of its responsibility to fund and manage AOI, Amtrak would be able to operate its entire national and regional train network including State supported trains for a significantly lower annual appropriation."

Returning Amtrak to Its Original and Continuing Competency

RAILnet-21 isolates AOI costs from train operating costs and eliminates the risk of balkanizing and irreparably rending Amtrak into two components competing for the same resource as under the FAST Act[2]. RIALnet-21 also provides the transparency governors and their DOT leaders need to value the

[1] Passenger Rail Investment and Improvement Act of 2008.
[2] Fixing America's Surface Transportation Act of 2015.

Amtrak services purchased. Returning Amtrak to its pre-1976 carrier-only roots will result in a more transparent and fundable national and regional system, a stated objective of the FAST Act.

Through a stock spin-off[3], RAILnet-21 separates Amtrak into two Federally-owned entities:

- Amtrak remains the nation's rail passenger carrier operating long distance and regional intercity trains, NEC high-speed and conventional services, and contracted State and commuter trains. Amtrak retains all its rolling stock, workshops, IT systems, and reservations/sales organization.

- A new Federal infrastructure entity would be created to own AOI for which, as directed by legislation, the Surface Transportation Board would competitively seek a private sector infrastructure management organization ("IMO"). The IMO, under a 50-year revocable concession, would fund, manage, grow AOI rail services, and construct new infrastructure in the Northeast and Midwest, while working closely with commuter agencies, State DOTs and Amtrak. The IMO is mandated to offer nondiscriminatory dispatching over its managed NEC and Midwest AOI, and is prohibited from running its own trains. At all times, the Federal government's ownership is financially and legally fully protected.

This is an innovative solution stimulating private sector investment into AOI and Amtrak. Private sector infrastructure investments will exceed $70 billion over the concession's life (a statutory minimum of over $1.2 billion per year for the full 50 years, plus statutorily mandated investments in AOI, which far exceeds the amount required to achieve a "state-of-good-repair"), including a one-time IMO grant of more than $1 billion to Amtrak in the form of unrestricted cash and debt relief, while net Federal Amtrak outlays are reduced by close to $1 billion annually.

Freed of its responsibility to fund and manage AOI, Amtrak would be able to operate its entire national and regional train network including State supported trains for a significantly lower annual Federal appropriation.

Greater Transparency

"Returning Amtrak to its pre-1976 carrier-only roots will result in a more transparent and fundable national and regional system, a stated objective of the FAST Act."

All Stakeholders Benefit

RAILnet-21 allows Amtrak to focus on rail passenger service and fleet renewal across its national network. Amtrak will be better able to develop its route system in close cooperation with Congress, the States, and freight carriers. Existing commuter carriers continue to pay "avoidable cost" access fees. Amtrak and new train-operators will be able to offer different service-patterns and service-classes, and most importantly, hire new railway employees to operate these services. Rail travelers will enjoy increased intercity service frequency, shorter trip times and competitive ticket prices, increasing AOI use and permitting the IMO to increase AOI-generated revenues. States are not mandated to fund infrastructure projects or form "multi-State compacts."

A fully funded Northeast Corridor Infrastructure Trust Fund makes available substantial resources for Northeast and Midwest investment and workforce development. NEC chokepoints will be removed and the fastest New York, Washington trip-times will be about two hours, restoring and modernizing the NEC into a high-speed, high-capacity passenger railway. It permits Chicago/Michigan AOI to serve as the nucleus for new, high quality passenger services emanating from a Chicago hub. Additionally, the IMO will be statutorily mandated to complete construction within 10 years of and pay for the new Trans-Hudson Tunnel and Portal Bridge (the Gateway Program).

[3] ...which means there can be no "takings" issue.

The IMO is funded through owner's equity and a special purpose ("SP"), RRIF-like loan— repayment of which is fully guaranteed by a third-party, investment-grade financial instrument equal to the face value of the SP loan. The IMO's owners' equity investment must equal at least 10 percent of the SP loan amount. Loan interest is paid "in-kind" through investments in the Federally-owned infrastructure—ensuring over the life of the concession over $70 billion of infrastructure improvements, enhanced reliability, and greatly increased capacity. All improvements become the property of the US Government as made.

The IMO makes its return by increasing total AOI train traffic through shorter travel times, increased passenger train frequencies and introducing new passenger services built around new station gateways that intersect with the highway, mass transit and aviation infrastructures to shorten door-to-door travel times.

Creating a fully funded Northeast Corridor Infrastructure Trust Fund protects labor organization representation, seniority and contract terms of all current Amtrak infrastructure workers. As a regulated railroad, the IMO will be subject to the Railway Labor Act, railway safety regulations, FELA, and Railroad Retirement.

Fit for the 21st Century

"NEC chokepoints will be removed and the fastest New York, Washington trip-times will be about two hours, restoring and modernizing the NEC into a high-speed, high-capacity passenger railway."

Conclusion

A fully funded Northeast Corridor Infrastructure Trust Fund protects stakeholders, provides a multi-year funding solution—unlike any other proposal under consideration—furnishes the monies for and builds the new Trans-Hudson Tunnel and Portal Bridge (Gateway), and meets the needs of the traveling public by stimulating a new age of rail travel with expanded service patterns, faster trip times, greater reliability, and more affordable tickets. It preserves the national rail network and Amtrak's political support base in Congress, and it generates many tens of thousands of new, direct and indirect union building and construction jobs.

The Northeast Corridor Infrastructure Trust Fund is the long-term, stable Amtrak infrastructure funding source many have sought for decades.

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